Supreme Court, U.S.
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No. 93-416

IN THE

Supreme Court of the United States

OCTOBER TERM, 1993

BANFF, LTD.,

Petitioner,

vs.

COLBERTS, INC., and TAMARA IMPORTS,
a division of COLBERTS, INC., and
TAMARA IMPORTS, INC.,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

REPLY IN SUPPORT OF PETITION

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REPLY IN SUPPORT OF PETITION FOR CERTIORARI

Petitioner Banff, Ltd. hereby submits its reply in support of its petition for certiorari.[1]

1. Respondents ignore the Second Circuit's express holding that Lanham Act § 35 overruled *Mishawaka* — a departure from every other Circuit on point

Respondents ignore the Second Circuit's express holding that Congress overruled *Mishawaka* (cert.opp. at 13). Yet that is exactly what the Second Circuit held: that "*Mishawaka* is inconsistent with § 35 of the Lanham Act [and] is no longer good law." 996 F.2d at 35n.1 (A.1 at 5n.1). The Second Circuit could not have been clearer in its express holding that Congress, through Lanham Act § 35, had overruled *Mishawaka* ("*Mishawaka* . . . is no longer good law"; *id.*).

Nor is respondents' purported explanation any more valid. Respondents seek to explain the Second Circuit's holding as one involving a mere failure to meet a burden of proof. Respondents argue: "The Court of Appeals simply held that petitioner did not meet its burden of proof. . . ." (cert.opp. at 13). But this reasoning is circular. Petitioner "did not meet its burden of proof" (cert.opp. at 13) *because* the Second Circuit imposed the burden on the wrong party. The issue of who bears the burden of proof *is the issue here*. It cannot be trivialized as a mere failure to "meet [a] burden of proof".

Respondents cannot reasonably oppose certiorari on the purported ground that this case "merely" involves an unmet burden, when the proper allocation of that burden (i.e., which party has it) is precisely the legal issue presented for review.

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[1] In an attempt to garner judicial sympathy, respondents assert that they are a "family-run" business (cert.opp. at 4). But respondents do not disclose, although they admitted at trial, they are a huge $35-million/year enterprise (trial transcript at 4). The infringement-profits at issue here are $137,189 (A.20–21).

That allocation was made against the guilty infringer by this Court in *Mishawaka* and by every Circuit to apply *Mishawaka*, except the Second Circuit in the case below (*see* list of Circuits in cert.pet. at 13–14).[2]

2. Respondents do not dispute the list of cases showing the Second Circuit's departure from every other Circuit to address *Mishawaka*

The petition includes a list of cases showing the Second Circuit's disagreement with *every other Circuit* on point: that *every other Circuit* to address the issue continues to follow *Mishawaka* after enactment of the Lanham Act (list in cert.pet. at 13–14). Only the Second Circuit rejects it ("*Mishawaka* . . . is no longer good law"; 996 F.2d at 35n.1; A.1 at 5n.1).

Respondents never responded to, nor disputed, this list of cases showing the Second Circuit's express departure from *every* other Circuit on point.

3. Respondents do not dispute that the Second Circuit confused 2 different burdens of proof under the Lanham Trademark Act

The petition for certiorari describes the Second Circuit's confusion of 2 different burdens of proof under the Lanham Act (cert.pet. at 10–12). Respondents do not dispute that the Second Circuit in fact confused them.

This Court in *Mishawaka*, and Congress in Lanham Act § 35, addressed 2 *different* burdens of proof: *Mishawaka* addressed the burden of proving the *cause* of an infringer's

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[2]Respondents also resort to semantics. Respondents take issue with petitioner's use of the word "overrule", and argue that Congress cannot "overrule" a Supreme Court decision (cert.opp. at 13n.6). Respondents argue that Congress merely passes legislation which may countermand Supreme Court decisions. *Id.* This is semantic quibbling, designed to distract attention from the critical issue of whether *Mishawaka* is inconsistent with Lanham Act § 35.

profits; whereas, Lanham Act § 35 addresses the burden of proving the *amount* of such profits. The Second Circuit confused the 2 burdens (cause vs. amount) and, from its confusion, held (improperly) that Lanham Act § 35 had overruled *Mishawaka*. 996 F.2d at 35n.1; A.1 at 5n.1 ("*Mishawaka* is inconsistent with § 35 of the Lanham Act [and] is no longer good law").

Petitioner addressed in detail the Second Circuit's confusion of the 2 burdens of proof (cert.pet. at 10–12). Respondents fail to respond on this critical issue, and do not dispute that the Second Circuit in fact confused these 2 different burdens of proof.

4. Most Circuits reject respondents' interpretation of this Court's decision in *Champion Spark Plug*

Most Circuits reject respondents' intepretation of *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947). Respondents assert that *Champion Spark Plug* requires fraud/willfulness to recover infringement-profits (cert.opp. at 17–18). This is not so. Most Circuits, after *Champion Spark Plug*, do *not* require proof of fraud or willfulness for such a recovery (list of Circuits in cert.pet. at 14–16).

Champion Spark Plug used the special fact situation before it—reconditioned goods sold under an original mark—to dispel the notion that an accounting was automatic. This is consistent with *Mishawaka*, which allows an infringer to prove the absence of profits-causation. *Champion Spark Plug* never required, and most Circuits do not require, proof of fraud or willfulness to recover infringement-profits (list of Circuits in cert.pet. at 14–16).

5. Circuit-by-Circuit refutation of respondents' alleged uniformity on the willfulness issue

Respondents misquote or mis-describe the no-willfulness cases in petitioner's list of Circuits (cert.pet. at 14–15). Respondents, although acknowledging the "willfulness" cases in the 2d, 6th, and D.C. Circuits (*id.*, at 15), dispute the "no-willfulness" cases in the 3d, 7th, 9th, 10th, and 11th Circuits (*id.*, at 14–15). Respondents err. The latter Circuits expressly reject a fraud or willfulness requirement.

Respondents' errors on the no-willfulness cases are:

Draft-Restatement: Respondents cite the draft-restatement for an alleged indication of uniformity (cert.opp. at 24–25, 32). But the draft-restatement recites the opposite: that there is wide disagreement among the Circuits, and cites no-willfulness cases which allow recovery for "good faith use of another's mark".[3]

Third Circuit: *Williamson-Dickie Co. v. Davis Mfg. Co.*, 251 F.2d 924 (3d Cir. 1958). The Third Circuit affirmed an award of infringement-profits "[i]n the absence of fraud on the part of defendants". *Id.*, at 927. Respondents ignore the quoted no-fraud language and, instead, quote language that an accounting is not automatic (cert.opp. at 28). This response is inapposite. The "not-automatic" language does not require fraud/willfulness but results from this Court's decision in *Mishawaka* (which respondents reject), allowing infringers to disprove profits-causation. The Third Circuit expressly affirmed the award "[i]n the absence of fraud". *Id.*, at 927.

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[3]*Tentative Draft No. 3, Restat. of Law of Unfair Comp.*, § 37, *comment e* (recognizing that *Wolfe* [9th Cir.] and *Burger King* [11th Cir.] allow accountings for "good faith use of another's mark", i.e., no-willfulness).

Also, the tentative-draft restatement did not mention 2 further Circuit cases which expressly reject a "fraud" or "willfulness" requirement. *See Williamson-Dickie* (3d Cir.) (expressly rejecting a fraud requirement), *and Roulo* (7th Cir.) (expressly rejecting a willfulness requirement), both quoted in list of Circuits (cert.pet. at 14), and in this reply at pp. 4–5.

Seventh Circuit: *Roulo v. Russ Berrie & Co.*, 886 F.2d 931 (7th Cir. 1989), *cert. denied*, 493 U.S. 1075 (1990). The Seventh Circuit affirmed an award of infringement-profits where "the infringement was not willful". *Id.*, at 943. The Seventh Circuit also held: "[T]here is no express requirement that . . . the infringer willfully infringe the trade dress to justify an award of profits". *Id.*, at 941.

Respondents ignore the quoted no-willfulness language and, instead, assert requirements of "intentional imitation" and damages (cert.opp. at 27). However, the asserted damage requirement addressed a *separate* remedy: recovery of plaintiff's damages, not defendant's profits. 886 F.2d at 941 ("plaintiff's actual losses rather than . . . defendant's profits"). Nor does "intentional imitation" connote willfulness. The Seventh Circuit made express holdings of no-willfulness in affirming the award. *Id.*, at 941, 943 ("the infringement was not willful").

Ninth Circuit: *Wolfe v. National Lead Co.*, 272 F.2d 867 (9th Cir. 1959). The Ninth Circuit affirmed an award of infringement-profits "whether [the infringer] believed himself to be within the law or not". *Id.*, at 871. Respondents ignore this quote and, instead, quote other language of the infringer's intent during a *different* period of time (cert.opp. at 29). The draft-restatement recognizes that *Wolfe* allows recovery of infringement-profits, without willfulness, for "good faith use of another's mark" (n.3, *supra*).

Tenth Circuit: *Blue Bell Co. v. Frontier Refining Co.*, 213 F.2d 354 (10th Cir. 1954). The Tenth Circuit affirmed a recovery of infringement-profits "upon the equitable principle of unjust enrichment" without willfulness. *Id.*, at 363. Respondents fail to address this quote and, instead, assert that *Blue Bell* allegedly "was based on proof of actual damage" (cert.opp. at 30). But *Blue Bell* held the opposite: that its award of infringement-profits "is predicated upon the equitable principle of unjust enrichment, *not the legal theory of provable damages*". *Blue Bell, supra*, 213 F.2d at 363 (emp. added).

Eleventh Circuit: *Burger King Corp. v. Mason*, 855 F.2d 779 (11th Cir. 1988). The Eleventh Circuit expressly rejected a willfulness requirement, "reject[ing] good faith as a defense to an accounting of profits". *Id.*, at 781. The draft-restatement also recognizes that *Burger King* allows recovery for "good faith use of another's mark" (n.3, *supra*). Respondents fail to mention this and, instead, assert that *Burger King* allegedly was based on "intentional infringement" by a former franchisee (cert.opp. at 30). But the franchisee had a good-faith belief in its entitlement to use the mark (non-willful), and the Eleventh Circuit expressly held that willfulness was not essential to a profits recovery. *Id.*, at 781 ("reject[ing] good faith as a defense to an accounting of profits").

* * *

Respondents have misquoted, or non-quoted, the no-willfulness cases listed in the petition (cert.pet. at 14–15). Respondents' assertions of uniformity do not stand under examination of the listed Circuit-cases. The draft-restatement also recognizes that the Circuits are split on the issue.

This Court should grant certiorari, to resolve the split in the Circuits over whether willfulness always is required to recover infringement-profits under the Lanham Trademark Act.[4]

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[4]Respondents admit that the law-review articles also are divided over whether fraud or willfulness is required (cert.opp. at 19n.8).

CONCLUSION

This Court should grant certiorari to review (1) the Second Circuit's express and unsupported rejection of this Court's decision in *Mishawaka* which this Court designed to protect federally-registered trademarks, (2) the Second Circuit's divergence from every other Circuit on point in its express rejection of *Mishawaka*, and (3) the Second Circuit's divergence from most other Circuits in holding that willfulness *always* is required for an award of infringement-profits under the Lanham Trademark Act.

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Nov. 22, 1993

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